



MING FUNG JEWELLERY GROUP LIMITED

明豐珠寶集團有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 860)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2006

ANNUAL RESULTS

The board of directors (the "Board") of Ming Fung Jewellery Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 September 2006, together with the comparative figures for the year ended 30 September 2005, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 30 September 2006

	Notes	2006 HK\$'000	2005 HK\$'000
TURNOVER	2	480,372	429,959
COST OF SALES		(342,687)	(308,754)
GROSS PROFIT		137,685	121,205
OTHER REVENUE	3	2,147	1,252
SELLING AND DISTRIBUTION EXPENSES		(39,730)	(32,876)
ADMINISTRATIVE EXPENSES		(21,218)	(18,093)
OTHER OPERATING EXPENSES		(317)	(3,203)
PROFIT FROM OPERATING ACTIVITIES	5	78,567	68,285
FINANCE COSTS	6	(9,276)	(3,953)
PROFIT BEFORE TAX		69,291	64,332
TAX	7	(12,273)	(10,149)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		57,018	54,183
DIVIDENDS	8		
Interim		2,054	1,950
Proposed final		3,488	3,250
		5,542	5,200
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS	9		
– Basic		HK8.5 cents	HK8.3 cents
– Diluted		HK8.4 cents	HK7.8 cents
CONSOLIDATED BALANCE SHEET			
At 30 September 2006			
	Notes	2006 HK\$'000	2005 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		87,739	94,696
CURRENT ASSETS			
Prepayments, deposits and other receivables		10,359	6,991
Inventories		214,650	124,472
Trade receivables	10	114,690	104,772
Cash and cash equivalents		83,426	72,507
		423,125	308,742
CURRENT LIABILITIES			
Trade payables	11	11,608	17,078
Other payables and accruals		4,359	3,135
Secured interest bearing bank borrowings, due within 1 year		81,407	86,672
Tax payables		62,301	50,118
		159,675	157,003
NET CURRENT ASSETS		263,450	151,739
TOTAL ASSETS LESS CURRENT LIABILITIES		351,189	246,435
NON-CURRENT LIABILITIES			
Secured interest bearing bank borrowings, due after 1 year		42,500	–
NET ASSETS		308,689	246,435
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		6,975	6,500
Reserves		298,226	236,685
Proposed final dividend		3,488	3,250
		308,689	246,435

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standard ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

The adoption of new/revised HKFRS

During the year, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors

HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 32, 33, 36, 37, 38, 39, HKFRS 2 and 3 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the disclosures of financial statements.
- HKASs 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 23, 27, 32, 33, 36, 37, 38, 39 and HKFRS 3 have no material effect on the Group's policies.
- HKAS 21 has no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.
- HKFRS 2 has resulted in a change in the accounting policy for the existing share option scheme. Prior to the adoption, the Group did not have to account for the compensation cost relating to the share options granted to its participants. With effect from 1 October 2005, the Group has to amortize the cost in the income statement over its vesting period. According to the transitional provisions of HKFRS 2, the new accounting policy shall apply to share options that were granted after 7 November 2002 and had not vested as at 1 January 2005. As all share options of the Group have been granted after 29 April 2003 and vested on or before 3 March 2004, the change in accounting policy has had no material effect to the income statement for the year ended and prior periods. The Group will apply the new requirements for future share options granted.

At the date of approval of these financial statements, the Group has not early adopted the following new standards and interpretations relevant to its operations which have been issued but are not yet effective. It is expected that the adoption of such standards or interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 7	Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

2. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and after eliminations of all significant intra-group transactions during the year.

3. OTHER REVENUE

	2006 HK\$'000	2005 HK\$'000
Interest income	1,445	535
Others	702	717
	2,147	1,252

4. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, segment information is presented by way of 2 segment formats: (a) on a primary segment reporting basis, by geographical segment; and (b) on a secondary segment reporting basis, by business segment.

The principal activities of the Group are the manufacture and sale of jewellery products, which are managed according to the geographical location of customers.

Each of the Group's geographical segments, based on the location of customers, represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of other geographical segments. The Group's geographical segments are as follows:

- United States;
- Europe; and
- Middle East and South East Asia.

In determining the Group's geographical segments, revenue is attributed to the segments based on the location of customers and assets are attributed to the segments based on the location of assets.

(a) (i) Geographical segments based on the location of customers

The following tables present revenue, results and certain asset, liability and expenditure information of the Group's geographical segments for the years ended 30 September 2006 and 2005.

	United States		Europe		Middle East and South East Asia		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment revenue:								
Sales to external customers	221,252	222,269	189,591	164,774	69,529	42,916	480,372	429,959
Segment results	32,599	35,132	34,813	31,496	20,119	7,249	87,531	73,877
Unallocated revenue							2,147	1,252
Unallocated expenses							(11,111)	(6,844)
Profit from operating activities							78,567	68,285
Finance costs							(9,276)	(3,953)
Profit before tax							69,291	64,332
Tax							(12,273)	(10,149)
Net profit from ordinary activities attributable to shareholders							57,018	54,183

	United States		Europe		Middle East and South East Asia		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	196,779	167,552	168,619	124,211	61,837	32,353	427,235	324,116
Unallocated assets	-	-	-	-	-	-	83,629	79,322
Total assets	196,779	167,552	168,619	124,211	61,837	32,353	510,864	403,438
Segment liabilities	6,242	10,155	5,349	7,529	1,961	1,961	13,552	19,645
Unallocated liabilities	-	-	-	-	-	-	188,623	137,358
Total liabilities	6,242	10,155	5,349	7,529	1,961	1,961	202,175	157,003
Other segment information:								
Depreciation	7,002	6,204	6,000	4,599	2,201	1,198	15,203	12,001
Capital expenditure	4,171	18,374	3,575	13,621	1,312	3,547	9,058	35,542

(ii) Geographical segments based on the location of assets

	Hong Kong		Macau		PRC		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	65,077	64,910	326,652	217,715	119,135	120,813	510,864	403,438
Capital expenditure	552	39	-	-	8,506	35,503	9,058	35,542

(b) Business segments

The following tables present revenue, results and certain asset, liability and expenditure information of the Group's business segments for the years ended 30 September 2006 and 2005.

	Exports		Domestic		Consolidated	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	459,930	429,959	20,442	-	480,372	429,959
Segments results	80,831	73,877	6,700	-	87,531	73,877
Unallocated revenue					2,147	1,252
Unallocated expenses					(11,111)	(6,844)
Profit from operating activities					78,567	68,285
Finance costs					(9,276)	(3,953)
Profit before tax					69,291	64,332
Tax					(12,273)	(10,149)
Net profit from ordinary activities attributable to shareholders					57,018	54,183
Segment assets	339,693	-	87,542	-	427,235	403,438
Unallocated assets	-	-	-	-	83,629	-
Total assets	339,693	-	87,542	-	510,864	403,438
Segment liabilities	13,056	-	496	-	13,552	157,003
Unallocated liabilities	-	-	-	-	188,623	-
Total liabilities	13,056	-	496	-	202,175	157,003
Other segment information:						
Depreciation	14,474	12,001	729	-	15,203	12,001
Capital expenditure	3,159	35,542	5,899	-	9,058	35,542

5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2006	2005
	HK\$'000	HK\$'000
Cost of inventories sold	342,687	308,754
Depreciation	15,203	12,001
Minimum lease payments under operating leases on leasehold land and buildings	2,928	653
Staff costs (excluding directors' remuneration):		
Wages and salaries	8,371	7,230
Retirement benefits scheme contributions	108	119
	8,479	7,349
Auditors' remuneration	1,200	750
Research and development costs	317	3,203
Interest income	(1,445)	(535)

6. FINANCE COSTS

	2006	2005
	HK\$'000	HK\$'000
Interest on interest bearing bank overdrafts, trust receipt loans and other interest bearing bank loans wholly repayable within 5 years	9,276	3,953

7. TAX

The amount of tax charged to the consolidated income statement represents:

	2006	2005
	HK\$'000	HK\$'000
Current year provision:		
Hong Kong profits tax	-	-
Overseas taxation	12,273	10,149
Tax charge for the year	12,273	10,149

(a) No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong.

(b) Overseas taxation is related to Macau tax which has been provided at the applicable income tax rate on the assessable profits based on existing legislation, interpretations and practices in respect thereof.

No provision for deferred taxation has been made as the Group did not have any significant unprovided deferred taxation in respect of the year (2005: Nil).

8. DIVIDENDS

During the year, an interim dividend of approximately HK\$2,054,000 (2005: HK\$1,950,000) was declared and paid on 16 August 2006.

At a meeting held on 28 December 2006, the directors proposed a final dividend of HK0.5 cent per share (2005: HK0.5 cent) for the year ended 30 September 2006 to be payable to shareholders whose names appear in the register of members of the Company on 16 March 2007. Subject to shareholders' approval at the forthcoming annual general meeting, such dividend will be payable on or about 30 March 2007. This proposed dividend was not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ended 30 September 2006.

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

(a) Basic earnings per share

The calculation of basic earnings per share is based on the Group's net profit from ordinary activities attributable to shareholders for the year of approximately HK\$57,018,000 (2005: HK\$54,183,000) and the weighted average number of 669,495,890 shares (2005: 650,000,000 shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 30 September 2006 is based on the Group's net profit from ordinary activities attributable to shareholders for the year of approximately HK\$57,018,000 (2005: HK\$54,183,000) and the weighted average number of 678,119,969 shares (2005: 698,632,399 shares) after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme.

10. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days. 100% provision is made for outstanding debts aged over 365 days.

An ageing analysis of the trade receivables as at the balance sheet date, based on the date of recognition of the sale, is as follows:

	2006	2005
	HK\$'000	HK\$'000
1 - 30 days	42,415	47,982
31 - 60 days	44,770	39,948
61 - 90 days	27,505	16,842
	114,690	104,772

11. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

An ageing analysis of the trade payables as at the balance sheet date, based on the date of receipt of goods purchased, is as follows:

	2006	2005
	HK\$'000	HK\$'000
1 - 30 days	9,230	13,554
31 - 60 days	774	2,569
61 - 90 days	1,477	955
Over 91 days	127	-
	11,608	17,078

12. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the balance sheet date (2005: Nil).

13. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its leasehold land and buildings under operating lease arrangements. The original lease terms for these leasehold land and buildings were 2 years.

As at 30 September 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2006	2005
	HK\$'000	HK\$'000
Within 1 year	1,935	578
In 2 to 5 years, inclusive	1,108	72
	3,043	650

The Company did not have any operating lease arrangements as at 30 September 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 30 September 2006, the turnover of the Group was about HK\$480.4 million, representing an increase of about 11.7% as compared to the previous year. The increase in turnover of the Group for the year was the fruitful result of the stringent effort of the management through active participation and marketing promotion in a series of major international jewellery trade shows and our new PRC retail stores throughout the year. The net profit from ordinary activities attributable to shareholders was about HK\$57.0 million, representing an encouraging increase of 5.2% over the previous year. The gross profit margin of the Group was about 28.7% as compared to 28.2% in last year. The net profit margin of the Group for the year was approximately 11.9% as compared to 12.6% in last year.

The operating expenses net of other revenue and other than those incurred for research and development amounted to approximately HK\$58.8 million (2005: HK\$49.7 million). The percentage of these expenses to turnover was approximately 12.2% (2005: 11.6%), which is in line with our internal cost budget.

For the year ended 30 September 2006, the Group spent approximately HK\$0.3 million (2005: HK\$3.2 million) in the research and development of jewellery products, representing a decrease of approximately 90.6% as compared to last year. The decrease for the current year was due to the successful completion of an extensive program in last year for the development of new fashionable designs of jewellery products to increase product varieties and innovative production techniques to enhance the quality of jewellery products.

For the year ended 30 September 2006, the Group invested approximately HK\$9.1 million (2005: HK\$35.5 million) in property, plant and equipment.

OPERATIONS REVIEW

Products manufactured by the Group are primarily sold to the markets in the United States, Europe, Middle East and South East Asia. For the year ended 30 September 2006, the United States is still the largest market of the Group's products and sales to the United States accounted for about 46.1% (2005: 51.7%) of the Group's turnover. Sales in Europe accounted for about 39.4% (2005: 38.3%) of the Group's turnover. The remaining sales of the Group's products were related to the markets in the Middle East and South East Asia and accounted for about 14.5% (2005: 10.0%) of the Group's turnover.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2006, the Group has further improved its net current assets position from HK\$151.7 million to HK\$263.5 million. The net current assets comprise of inventories of HK\$214.7 million (2005: HK\$124.5 million), trade receivables of about HK\$114.7 million (2005: HK\$104.8 million), other receivables of about HK\$10.4 million (2005: HK\$7.0 million), cash and bank balances of about HK\$83.4 million (2005: HK\$72.5 million) and current liabilities of about HK\$159.7 million (2005: HK\$157.0 million).

Increases in inventories and trade receivables were in line with the increase in the turnover for the year and more inventories have been reserved for new customer orders and our PRC retail stores. The Group's inventory turnover, trade receivables turnover and trade payables turnover period were 229 days, 87 days and 12 days respectively. These turnover periods are consistent with the respective policies of the Group on credit terms granted to customers and credit terms obtained from suppliers.

During the year, the Group generally financed its operations and investing activities through a combination of shareholders' equity, internally generated cash flows and interest bearing bank borrowings. The capital structure of the Company solely consists of share capital. As at 30 September 2006, the shareholders' equity of the Group amounted to HK\$308.7 million (2005: HK\$246.4 million). The Group's total interest bearing bank borrowings as at 30 September 2006 amounted to approximately HK\$123.9 million (2005: HK\$86.7 million) representing an increase of approximately HK\$37.2 million. The interest bearing bank borrowings were mainly used for working capital purpose and carried at commercial lending interest rates. The maturity of interest bearing bank borrowings comprised approximately HK\$81.4 million (2005: HK\$86.7 million) and HK\$42.5 million (2005: Nil) repayable within 1 year and repayable more than 1 year respectively. The Group's gearing ratio for the year was 40.1% (2005: 35.2%) which is relatively well below the market average. On the whole, the Group has maintained a stable gearing ratio during the year under review.

The sales and purchases of the Group are mostly denominated in US dollars, Hong Kong dollars and Renminbi. The cash and cash equivalents and interest bearing borrowings of the Group are denominated in Hong Kong dollars, US dollars and Renminbi. Since the Group's exposure to fluctuations in foreign exchange rates is minimal, the Group has not considered using hedging instruments to minimise the exposure to foreign currency fluctuations.

As at 30 September 2006, the Group did not have any capital commitments (2005: Nil). The Group also did not have any significant contingent liabilities as at 30 September 2006 (2005: Nil).

The Company has given guarantees in favour of certain banks to the extent of approximately HK\$245.1 million (2005: HK\$198.7 million) in respect of banking facilities granted to certain subsidiaries of the Company. As at 30 September 2006, the banking facilities utilised by these subsidiaries amounted to approximately HK\$123.9 million (2005: HK\$86.7 million).

FUTURE PLANS AND PROSPECTS

The Group is committed to maximize the profit and maintain a steady growth for our business with the capacity to manufacture a wide variety of high quality jewellery products at competitive prices. The Group will keep a good reputation of product quality and ability to manufacture a wide variety of jewellery products at competitive prices by maintaining its successful manufacturing operations in the PRC.

For the export business, the Group will continue to strive its best to maintain its market share through various marketing strategies by regularly participating in international jewellery trade shows and exhibitions.

For the PRC's retail business, the increasing levels of income and purchasing powers of the PRC consumers boosted the demand for jewellery products. As a result, it is anticipated to offer immense growth potential for the jewellery industry. The Group, which owns the renowned "SAVANTI" brand in the PRC and with a solid business and financial position, is well positioned to benefit from this positive trend. The Group dedicates to develop the "SAVANTI" brand in the PRC since branding is very important for its long-term development. Through its competitive advantages over both foreign and local jewellers in terms of world-class design, excellent management, reputation, product quality, competitive price and high quality after sales services, the Group anticipates its further penetration in the PRC market will continue. In the future, we will continue to pursue opportunities to open up more retail stores in the PRC in the coming year.

Looking forward, the Group is dedicated to strive for the best performance by implementing its strategies to produce high quality products with competitive prices. The Group will continue to explore the opportunities to further develop its manufacturing operations in the PRC. With the global economy posing a robust outlook and consumer sentiment continuing to strengthen, the Group is highly optimistic of its export business and its PRC retail business. As our Group's committed mission, we will continue to pursue the jewellery industry in a leading market position with recognised reputation so as to realize and share the fruitful results of the promising growth with our shareholders.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2006, the Group had approximately 93 employees with remuneration of approximately HK\$10.9 million for the year under review. The Group's emolument policies are formulated according to the performance of individual employee and will be reviewed regularly every year.

The Group has established a share option scheme for its employees and other eligible participants with a view to providing an incentive to or as a reward for their contribution to the Group. During the year under review, no options was granted.

Save as disclosed above, the current information in other management and discussion analysis has not changed materially from those information disclosed in the last published 2006 interim report.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 14 March 2007 to 16 March 2007 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and to attend and vote at the forthcoming annual general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrars of the Company, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 13 March 2007.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its shares, and neither the Company, nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 30 September 2006 with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules except for the deviation as follows:

Code Provision A.2

Mr. Wong Chi Ming, Jeffrey is the Chairman of the board of directors. The Company has no such title as the chief executive officer and the daily operation and management of the Company is monitored by the executive directors as well as the senior management.

The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting operation of the Company.

Further information on the Company's corporate governance practices is set out in Corporate Governance Report contained in the Company's annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES ("MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry on all directors regarding any non-compliance with the Model Code during the year under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

FINANCIAL RISK MANAGEMENT

The Group's activities expose it to various kinds of financial risks. These risks are minimised by the Group's financial management policies and practices described below. The Group does not use derivative financial instruments for speculative purposes.

The credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Policies are established to regularly monitor current and expected liquidity requirements and its compliance with lending covenant, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from financial institutions to meet its liquidity requirements in the shorter and longer term.

As a result of operating the business internationally, there is exposure to foreign currency risk. The management ensures that the net exposure is kept to an acceptable level and will consider appropriate hedging measures, if needed.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. Currently the audit committee comprises the three independent non-executive directors, who have reviewed the financial statements for the year ended 30 September 2006.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The 2006 annual report containing all the information required by the Listing Rules will be released on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and dispatched to shareholders in due course.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to the management and staff members for their continued dedication and contribution. I would also like to express our gratitude to our shareholders for their support to the Group.

On behalf of the Board
Ming Fung Jewellery Group Limited
Wong Chi Ming, Jeffrey
Chairman

As at the date of this announcement, the executive directors of the Company are Mr. Wong Chi Ming, Jeffrey, Ms. Lui Ching Han, Magda, Mr. Chung Yuk Lun and Mr. Yu Fei, Philip and the independent non-executive directors of the Company are Mr. Lee Pak Chung, Mr. Chan Man Kiu and Mr. Tam Ping Kuen Daniel.

Hong Kong, 28 December, 2006

* For identification purpose only